

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 EB-11 CIEP-02 TRSE-00 STR-08 OMB-01

CEA-02 COME-00 FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01

INT-08 FEA-02 EUR-25 NEA-10 AF-10 FPC-01 SCI-06 DRC-01

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P R 021432Z APR 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 8010

AMEMBASSY BRASILIA PRIORITY

AMCONGEN RIO DE JANEIRO

AMCONGEN SAO PAULO

C O N F I D E N T I A L SECTION 1 OF 2 SANTIAGO 1640

EO 11652: GDS

TAGS: OVIP (SHULTZ)

SUBJ: GEISEL-SHULTZ MEETING

1. FOLLOWING IS REPORT OF MEETING BETWEEN PRESIDENT
GEISEL AND SECRETARY SHULTZ APPROVED BY ASSISTANT
SECRETARY HENNESSY.

2. SUMMARY: IN A POSITIVE, CORDIAL 35-MINUTE CONVERSATION,
PRESIDENT GEISEL AND SECRETARY SHULTZ CONCENTRATED ON THE
PETROLEUM QUESTION AND ITS RAMIFICATIONS. PRESIDENT GEISEL
STRESSED BRAZIL'S VULNERABILITY IN PETROLEUM AND THE CON-
SEQUENT DEPENDENCE ON ARAB ATTITUDES. THERE WAS MUTUAL
AGREEMENT ON THE IMPORTANCE OF US-BRAZIL COOPERATION AND
COLLABORATION ON OTHER ISSUES OF COMMON CONCERN. THE
PRESIDENT NOTED THAT THERE WOULD BE MANY OPPORTUNITIES FOR
DISCUSSION OF MUTUAL PROBLEMS AND THE SEARCH FOR SOLUTIONS
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TO THEM.

3. DURING THE CONVERSATION, FOREIGN MINISTER SILVEIRA WAS WITH PRESIDENT GEISEL. AMBASSADOR CRIMMINS AND ASSISTANT SECRETARY HENNESSY ACCOMPANIED SECRETARY SHULTZ.

4. AFTER AN INITIAL EXCHANGE OF AMENITIES, SECRETARY SHULTZ SAID THAT PRESIDENT NIXON HAD REQUESTED HIM TO EXTEND TO PRESIDENT GEISEL HIS CORDIAL GREETINGS, HIS BEST WISHES FOR SUCCESS AND HIS SPECIAL THANKS FOR THE VERY WARM RECEPTION ACCORDED MRS. NIXON. PRESIDENT GEISEL REPLIED THAT HE AND BRAZIL HAD BEEN HONORED BY MRS NIXON'S VISIT, NOT ONLY BECAUSE OF HER OWN QUALITIES BUT ALSO BECAUSE HER COMING HAD BEEN AN ACT OF FRIENDSHIP AND SPECIAL COURTESY ON THE PART OF PRESIDENT NIXON. PRESIDENT GEISEL SAID THAT IN HIS ADMINISTRATION THE CONTINUATION AND STRENGTHENING OF THE FRIENDSHIP BETWEEN BRAZIL AND THE UNITED STATES WOULD BE A SPECIAL CONCERN, AND HE ASKED THAT SECRETARY SHULTZ TRANSMIT THAT DESIRE TO PRESIDENT NIXON, SAYING THAT HE WOULD BE DELIGHTED TO DO SO, SECRETARY SHULTZ NOTED THAT PRESIDENT NIXON, WHO HAD HIGH RESPECT FOR BRAZIL, FULLY RECIPROCATED PRESIDENT GEISEL'S SENTIMENTS.

5. IN RESPONSE TO SECRETARY SHULTZ'S OBSERVATION THAT THE IMPORTANCE OF BRAZIL TO THE UNITED STATES WAS ILLUSTRATED BY THE FACT THAT BRAZIL WAS ONE OF OUR MOST IMPORTANT TRADING PARTNERS, PRESIDENT GEISEL POINTED OUT THAT BRAZIL HAD TO EXPAND ITS EXPORTS BECAUSE OF THE NEED TO COMPENSATE FOR THE INCREASED COSTS OF IMPORTED OIL. SECRETARY SHULTZ STATED THAT BRAZIL AND THE UNITED STATES HAD A COMMON INTEREST IN SEEING A DROP IN OIL PRICES. PRESIDENT GEISEL EXPRESSED DOUBT ABOUT THE PROSPECTS FOR SUCH A DECREASE AND WENT ON TO SAY THAT, IF IT WERE NOT FOR THE BRAZILIAN HYDROELECTRIC AVAILABILITIES-, THE CONSEQUENCES OF THE OIL CRISIS WOULD BE MUCH MORE SEVERE FOR BRAZIL. SECRETARY SHULTZ OBSERVED THAT HIGH PRICES WERE OF COURSE STIMULATING VERY STRONG ACTION TO DEVELOP NEW AND ADDITIONAL SOURCES OF ENERGY THROUGH INTENSIFIED EXPLOITATION AND RESEARCH. PRESIDENT GEISEL COMMENTED THAT THAT KIND OF DEVELOPMENT WOULD TAKE FIVE TO TEN YEARS AND A GREAT

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DEAL OF RESOURCES: MEANWHILE, THE EFFECTS OF HIGH PRICES WOULD BE SEVERE. SECRETARY SHULTZ REPLIED THAT HE BELIEVED THAT OIL PRICES NEXT YEAR WOULD BE AT AN APPRECIABLY LOWER LEVEL. AFTER PRESIDENT GEISEL SAID THAT HE HOPED THE SECRETARY WAS RIGHT, THE SECRETARY NOTED THAT WE HAD FOUND THAT THE CONSUMPTION RATE OF PETROLEUM THUS FAR IN 1974 WAS EIGHT PER CENT LOWER THAN HAD BEEN EXPECTED. CONTINUING, HE POINTED OUT THAT, IF PRODUCTION LEVELS IN

THE MIDDLE EAST PICKED UP TO THE PRE-SEPTEMBER LEVELS,
THERE WOULD BE A CONSIDERABLE EXCESS OF SUPPLY OVER DEMAND,
WITH CONSEQUENT DOWNWARD PRESSURE ON PRICES.

6. SECRETARY SHULTZ, REFERRING TO PRESIDENT GEISEL'S
EARLIER REFERENCE TO STRENGTHENING TIES, STATED THAT THE
PETROLEUM QUESTION WAS AN EXAMPLE OF ISSUES IN WHICH
BRAZIL AND THE US HAD A STAKE IN COMMON. HE WENT ON TO
SAY THAT HE HAD FOUND MANY SITUATIONS IN INTERNATIONAL
FORUMS IN WHICH THE TWO COUNTRIES HAD A COINCIDENCE OF
INTERESTS. THIS, HE POINTED OUT, MUTUAL SUPPORT WAS
POSSIBLE IN INTERNATIONAL SETTINGS. PRESIDENT GEISEL
AGREED AND ASKED FOREIGN MINISTER SILVEIRA TO TAKE
CAREFUL NOTE.

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INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

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TO SECSTATE WASHDC PRIORITY 8011

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AMCONGEN RIO DE JANEIRO PRIORITY

AMCONGEN SAO PAULO

C O N F I D E N T I A L SECTION 2 OF 2 SANTIAGO 1640

EO 11652: GDS

TAGS: OVIP (SHULTZ)

SUBJ: GEISEL -SHULTZ MEETING

7. RETURNING TO THE OIL QUESTION, PRESIDENT GEISEL SAID THERE WAS A SUBSTANTIAL DIFFERENCE IN THE RELATIVE EFFECTS OF THE CRISIS ON BRAZIL AND THE UNITED STATES, WITH BRAZIL BEING DEPENDENT ON IMPORTS FOR ABOUT EIGHTY PER CENT OF ITS REQUIREMENTS AND THE UNITED STATES BEING ALMOST SELF-SUFFICIENT. PETROLEUM, THE PRESIDENT ASSERTED WAS BRAZIL'S GREATEST VULNERABILITY, AND BECAUSE OF THAT FACT, BRAZILIAN POLICY IN THIS SECTOR WAS VERY DEPENDENT ON THE ARAB COUNTRIES' ATTITUDES. EMPHASIZING THIS POINT, THE PRESIDENT SAID THAT WITHOUT OIL BRAZIL WOULD STOP.

8. THE SECRETARY SAID THAT HE UNDERSTOOD THE PRESIDENT'S POINTS. HE STATED THAT, BECAUSE THE UNITED STATES
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WAS LESS VULNERABLE, IT SHOULD TAKE THE LEAD AS HE HAD DONE IN VENEZUELA, EVEN THOUGH SOME OF HIS COMMENTS MAY NOT HAVE BEEN POPULAR. IN ELABORATION, THE SECRETARY POINTED OUT THAT THE PROBLEMS FACED BY THE POOREST COUNTRIES AS A RESULT OF THE OIL CRISIS WERE STUNNING AND HEARTRENDING. ALTHOUGH THE UNITED STATES AND BRAZIL CAN GET ALONG WITH THE SITUATION, HE SAID, MANY OTHERS CANNOT, AND WE HAVE FELT OBLIGED TO KEEP STRESSING THIS TO THE OIL PRODUCERS.

9. PRESIDENT GEISEL EXPRESSED THE OPINION THAT MANY OTHER FACTORS WERE ALSO PRESENT, NOTABLY THE POLITICAL FACTOR. THE ARABS, HE COMMENTED, WERE USING OIL AS A WEAPON--THE ONLY WEAPON THEY HAD--AGAINST THE WORLD. HE EXPLAINED THAT WHEN HE SAID THAT HE WAS NOT JUSTIFYING THE ARAB ATTITUDE, SIMPLY ACKNOWLEDGING IT AS A FACT. THE PRESIDENT NOTED THAT BRAZIL WAS NOT INVOLVED IN THE ARAB-ISRAELI CONFLICT BUT WAS CERTAINLY SUFFERING ITS EFFECTS. SECRETARY SHULTZ STATED THAT, ALTHOUGH THE OIL WEAPON WAS BEING USED BY THE ARABS PRINCIPALLY AGAINST EHT US, THEY REALLY HAD DONE US A FAVOR BY WAKING US UP WHILE WE WERE STILL BASICALLY SELF-SUFFICIENT; IF THE CRISIS HAD OCCURRED THREE OR FOUR YEARS LATER, WE WOULD HAVE BEEN MUCH MORE DEPENDENT ON IMPORTED OIL.

10. PRESIDENT GEISEL SAID THAT HE WANTED TO NOTE, BY WAY OF AN OBSERVATION, THAT THE UNITED STATES MAY NOT HAVE SUFFERED THE DIRECT EFFECTS OF THE CRISIS SO SERIOUSLY AS MANY OTHERS, BUT IT WAS SUFFERING INDIRECTLY AS A RESULT OF THE SERIES OF CONSEQUENCES ARISING FROM THE EFFECTS ON COUNTRIES LINKED TO THE UNITED STATES, LIKE THE WESTERN EUROPEAN NATIONS AND BRAZIL. THE SECRETARY AGREED THAT ALL COUNTRIES WERE PAYING HIGH PRICES AND THAT THE PROBLEM WAS GREEAT FOR EVERYONE. PRESIDENT GEISEL

CONCLUDED THE DISCUSSION ON OIL BY SAYING THAT THE SHORT TERM WOULD BE DIFFICULT BUT HE HOPED THAT THE ISSUE WILL BE RESOLVED OVER THE LONG RUN. THE SECRETARY SAID THAT IT WOULD UNDOUBTEDLY BE SOLVED.

11. THE SECRETARY THEN RECALLED THAT FINANCE MINISTER SIMONSEN-WHOM HE DESCRIBED AS A HARD BARGAINER-- AND HE WOULD
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BE AT THE IDB MEETING IN SANTIAGO TOGETHER. THE SECRETARY STATED HIS BELIEF THAT THEY WOULD FIND MANY ISSUES AT THE MEETING ON WHICH THE US AND BRAZIL COULD WORK TOGETHER IN A COOPERATIVE AND POSITIVE WAY, AS HAD BEEN THE CASE IN THE FMF IN MEXICO CITY. HE NOTED THAT SEVERAL SUCH MATTERS HAD BEEN IDENTIFIED IN THE USEFUL AND CONSTRUCTIVE MEETING HE HAD JUST HAD WITH THE FINANCE MINISTER. THE PRESIDENT REPLIED THAT THERE WOULD BE MANY OPPORTUNITIES IN THE COMING DAYS TO DISCUSS MUTUAL PROBLEMS AND SEEK MUTUALLY ACCEPTABLE SOLUTIONS. THE PRESIDENT COMMENTED THAT MINISTER SIMONSEN WAS A YOUNG, OPEN AND CAPABLE MAN; THE SECRETARY ADDED THAT HE WAS ALSO DYNAMIC.

12. THE MEETING CONCLUDED WITH THE PRESIDENT EXPRESSING REGRET THAT THE SECRETARY COULD SPEND SO LITTLE TIME IN BRAZIL ON THIS VISIT AND URGING HIM TO RETURN TO GET TO KNOW RIO, SAO PAULO AND OTHER PARTS OF THE COUNTRY.
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